

MATTHIAS W. BALDWIN, FOUNDER
1831

ANNUAL REPORT
1945

THE
BALDWIN LOCOMOTIVE WORKS

THE BALDWIN LOCOMOTIVE WORKS

TO THE SHAREHOLDERS:

On account of a strike of Baldwin employees, including the officeworkers, at the Company's main plant at Eddystone, which began January 21 and lasted until March 26, it has been impossible to complete the necessary accounting in time to place the report for the year 1945 in the hands of our shareholders in time for a meeting of shareholders originally scheduled for May 2, 1946.

Therefore, by amendment of the By-Laws, the date of the meeting this year has been postponed until June 11, 1946.

THE BALDWIN LOCOMOTIVE WORKS

BOARDS

621.3

14831

THIRTY-FIFTH ANNUAL REPORT

**THE
BALDWIN LOCOMOTIVE WORKS**
PHILADELPHIA, PA.



LOCOMOTIVE AND SOUTHWARK DIVISION
STANDARD STEEL WORKS DIVISION
CRAMP BRASS AND IRON FOUNDRIES DIVISION
THE PELTON WATER WHEEL COMPANY
THE WHITCOMB LOCOMOTIVE COMPANY
BALDWIN LOCOMOTIVE SALES CORPORATION
BALDWIN LOCOMOTIVE WORKS OF CANADA, LTD.

December 31, 1945

THE BALDWIN LOCOMOTIVE WORKS

Incorporated under the Laws of the Commonwealth of Pennsylvania

DIRECTORS

ARNOLD BERNHARD
FRANCIS BRADLEY
CHARLES E. BRINLEY
JOSEPH N. EWING
HARRY L. FREVERT
EDWARD HOPKINSON, JR.
RALPH KELLY
WM. CLARKE MASON
RICHARD T. NALLE
JEROME PRESTON
ROBERT C. SHIELDS
JAMES M. SKINNER
CHARLES L. STILLMAN

New York, N. Y.
Philadelphia, Pa.
Chestnut Hill, Pa.
Valley Forge, Pa.
Philadelphia, Pa.
Chestnut Hill, Pa.
Philadelphia, Pa.
Chestnut Hill, Pa.
Philadelphia, Pa.
Boston, Mass.
Detroit, Mich.
Philadelphia, Pa.
New York, N. Y.

EXECUTIVE COMMITTEE

EDWARD HOPKINSON, JR., Chairman

ARNOLD BERNHARD
FRANCIS BRADLEY
CHARLES E. BRINLEY

JOSEPH N. EWING
RICHARD T. NALLE
ROBERT C. SHIELDS

GENERAL OFFICERS

CHARLES E. BRINLEY
RALPH KELLY
J. TYSON STOKES
W. HORACE HOLCOMB
CHARLES E. ACKER
CARLOS F. NOYES

Chairman of the Board
President
Vice-President—Legal Department
Vice-President—Industrial Relations
Secretary and Treasurer
Comptroller

DIVISIONAL MANAGERS

Lewis W. Metzger, Divisional Vice-President Locomotive and Southwark Division
John D. Tyson, Divisional Vice-President Standard Steel Works Division
James J. Nelson, Divisional Vice-President Cramp Brass & Iron Foundries Division
Harold V. Huleguard, Vice-President and General Manager
The Whitcomb Locomotive Company
William F. Boyle, General Manager The Pelton Water Wheel Company

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

GENERAL OFFICES AND PLANT

AT

BALDWIN, EDDYSTONE, PENNSYLVANIA

TRANSFER AGENTS

Preferred Stock, 7% Cumulative, \$30 Par Value

IN PHILADELPHIA:

Drexel & Co., 15th and Walnut Streets

IN NEW YORK:

J. P. Morgan & Co. Incorporated, 23 Wall Street

Common Stock, \$13 Par Value

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
135 South Broad Street

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

REGISTRARS

Preferred Stock, 7% Cumulative, \$30 Par Value

Common Stock, \$13 Par Value

IN PHILADELPHIA:

The Pennsylvania Company for Insurances on Lives and Granting Annuities
15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York
140 Broadway

TO THE SHAREHOLDERS:

The results of the Company's operations for the year 1945, as shown herein, are after provision for renegotiation of war contracts and are thus comparable with the figures given in the Final Report to Shareholders for the Year 1944, which was issued on January 31, 1946.

OPERATION AND PRODUCTION

Through the first half of 1945, orders on your Company's books were sufficient to provide for sustained production at a high level though at a less rate than in 1944. Thereafter due to the end of hostilities abroad and the consequent cancellation of many substantial contracts, production diminished in all divisions of the Company with a corresponding reduction in sales and profits.

Cancellation of orders received in the year amounted to \$59,775,000 and claims by the Company on account of these cancellations are either paid or under negotiation. As the result of the war contract terminations noted above many readjustments in production schedules became necessary and though your Company ended the year with a good backlog of business still on its books, the volume of this business is unevenly distributed as to divisions. The larger part of unfilled orders on December 31, 1945, is represented by steam and diesel locomotives for foreign shipment. More orders for export are expected.

During the year orders for 691 steam locomotives were received and 837 were shipped. Orders for 187 diesel electric locomotives were received with shipments of 233.

Total unfilled orders on the Company's books at the beginning of 1945 were approximately \$106,000,000. At the end of 1945 they were \$82,866,677.

The volume of total billings of the Company and its wholly owned subsidiaries for the year 1945 was \$155,954,003 compared with billings of \$210,575,974 for the year 1944, a decrease of 26%. The total number of all employees, in the Baldwin group, decreased from 18,361 on January 1, 1945 to 14,346 on December 31st of the same year. The total compensation paid to all employees in 1945 was \$47,897,440; the cost of materials and supplies purchased was \$88,493,348; and provision for taxes amounted to \$12,273,003,

including Social Security Taxes, \$992,167, Federal Income and Excess Profits Taxes, \$10,141,000, and State Income Taxes, \$480,000. Provision for Federal Income and Excess Profits Taxes alone is equal to \$5.41 per share of the Company's common stock outstanding on December 31, 1945, and provision for all taxes is equal to \$6.54 per share.

The total amount paid in dividends to our 19,339 Preferred and Common Stockholders was \$2,777,097.

The usual social services maintained by the Company for its employees were continued. These include the dispensary and first-aid stations in the larger and more isolated shops, the restaurant, the cafeteria, and shop canteens, and the employees' magazine.

PLANT AND FACILITIES

The Company's policy providing for a continuing program of additions and improvements in plant facilities was maintained throughout the year, together with further rearrangements in the flow of manufacturing processes to reduce the cost of internal transport and to better over all efficiency. The amount added to Property, Plant and Equipment in 1945 was \$2,969,234, and the amount added to Depreciation Reserve was \$1,425,007. The entire unamortized balance of emergency facilities covered by certificates of necessity was marked off in 1945, resulting in additional charges against earnings of the year amounting to \$2,787,755. Maintenance and repairs were carried out in an amount considered adequate for the preservation of the Company's property in good working order.

The largest single plant addition undertaken in 1945 was the erection at Eddystone of a central steam boiler station large enough to provide steam for the entire works. This station is of the most modern design and its three boilers, soon now to be in full operation, will replace sixteen other boilers, all of them old, out of date and inefficient.

Further progress was made during the year in the liquidation of the Company's unused Philadelphia real estate. Four additional parcels were sold for cash including one parcel owned by the Company's inactive subsidiary, Baldwin-Southwark Corporation, which is in process of liquidation. This reduces the Company's holdings

of unused Philadelphia real estate to five small parcels, one of which is now under agreement of sale.

NEW PRODUCTS OF INTEREST

Though the experimental steam turbine-g geared locomotive built by Baldwin in collaboration with Westinghouse Electric Corporation for the Pennsylvania Railroad was delivered to that Company toward the end of 1944, it was during 1945 that a continuing test of this unusual engine was made in regular revenue service on the Railroad. The performance of this locomotive has exceeded expectations. This is the first locomotive of this novel design produced in this country and the first in any country in which more than 6,000 horse-power is transmitted from the steam turbine prime mover to the driving axles directly through a train of gears.

In March, 1945, we accepted an order from the Chesapeake & Ohio Railroad for three high speed high power locomotives, each to be driven by a steam turbine in which the power of the turbine will be transmitted electrically by generators and motors. These locomotives for delivery in 1946 are also the first of their kind to be constructed in this country.

On December 3, 1945, Baldwin completed still another "first" when it delivered to officials of the Seaboard Airline Railroad a diesel electric single unit locomotive developing 3,000 horse-power.* This engine has been giving excellent service and it is believed that a considerable market exists for this size and type of locomotive among the railroads of the United States.

During the year the modernization and improvement of Baldwin's line of hydraulic presses and testing machines received careful attention. These items together with other machinery from the Locomotive and Southwark Division have been "streamlined" and brought up to date both as to efficiency and appearance.

* See picture on back cover.

PERSONNEL

Frederick G. Schranz, Divisional Vice-President, Southwark Division, resigned on April 30, 1945 and has established himself in New York as a consulting engineer.

On November 1, 1945, Robert G. Allen was transferred from divisional management of Southwark Division to the position of Sales Manager of field selling for all divisions of Baldwin consolidated except the Whitcomb Company. Southwark Division was merged with the Locomotive Division, L. W. Metzger becoming Divisional Vice-President of Locomotive and Southwark Division.

Frank K. Metzger, Vice-President in Charge of Sales, resigned on June 30, 1945.

On July 31, 1945, F. R. Kohnstamm, because of ill health, resigned as General Manager of The Pelton Water Wheel Company in San Francisco and was replaced by William F. Boyle.

Since the beginning of the war, until January 1, 1946, 8,003 persons left the employ of the Company to enter the service of their Country.

COSTS, PRICES AND O.P.A.*

Though a substantial volume of business is already booked or in sight upon which your Company would normally expect to make a reasonable profit, the shareholders' attention is called to the fact that Baldwin, like many other concerns in the capital goods industries, finds its ability to earn impaired, on the one hand by inevitably increasing costs and on the other by a continuation of O.P.A. ceiling price restrictions which are based, with few exceptions, upon the cost standards of 1941. Increasing costs are to some extent the result of a rise in the price of material which has occurred since the prewar period, but chiefly because of an advance between January 1941 and January 1945 in the average base pay rate per hour of Baldwin employees of something over 40%. With these facts in mind it is not difficult to understand the problem faced by management in its effort to make profits for the shareholders even though the Company may have a good volume of business upon which to work.

If the condition above described as it affects the Baldwin Company were admittedly in the public interest and a necessary part of the reconversion program, there might be sufficient reason for submitting to its strictures without undue protest. However, the sale of locomotives or machinery is almost universally conditioned

upon the opinion of the buyer that a purchase by him of a more modern engine or machine will make it possible to provide a cheaper and better and more abundant product. The high standards of living in America are the direct result of industry's progressive, continuing advance in discovering new ways to produce goods with less hours of work and therefore, at ever diminishing costs and prices.

Any government agency whose activities, however well intentioned, discourage the design, construction and sale of improved machines, the use of which will provide more plentiful consumer goods at lower prices, retards industrial reconversion and thus encourages inflation instead of preventing it.

* Since the above paragraphs were prepared your Company has granted an increase of 18½ cents per hour in the base rate of all hourly paid workers in common with other concerns throughout the country whose employees belong to the United Steel Workers of America (C.I.O.). This increase in wages followed a complete shut down of the Company's plants (excepting Midvale) due to a strike which was called on January 21, 1946, and which prevented all production operations by the Company for a period of approximately nine weeks.

In April 1946 price ceilings on many Baldwin products were indefinitely suspended by Government action. This promises some relief for the future, but will have little effect on orders previously accepted and already entered upon the books of the Company.

AMENDMENT TO BY-LAWS

In the early part of 1946 the Board of Directors, pursuant to the authority vested in it by the By-Laws of the Company, amended the By-Laws in two respects. First, the date for the Annual Meeting of Shareholders was changed from the first Thursday of April to the first Thursday of May in order to allow sufficient time to complete the Company's Annual Report for the preceding fiscal year and to mail it to shareholders four or five weeks in advance of the date of the Annual Meeting. The date in May applies to years subsequent to 1946. In 1946 the Annual Meeting will be held on June 11th in accordance with the By-Laws as amended. Second, a new section was added to the By-Laws giving the Board of Directors express authority to make contributions from the income of the Company for public and charitable purposes as authorized by an Act of the Pennsylvania Legislature passed in August of 1945. The amount which may be so contributed in any taxable year by action of the Directors is limited by the By-Laws to 1% of the Company's

earned surplus as of the end of the preceding taxable year. It has been the practice of your Company, as well as of a majority of other corporations, to make appropriate contributions to charitable, scientific and educational organizations worthy of national and community support. No change in the Company's policy with respect to charitable contributions is contemplated or intended as a result of this By-Law which was added merely for the purpose of conforming to the requirements of the 1945 Pennsylvania statute above referred to.

EXPIRATION OF VOTING TRUST—WARRANTS

The Voting Trust for the Company's \$13 Par Value Common Stock created under the Plan of Reorganization of the Company in 1937, expired by its own terms on September 1, 1945. Voting Trust certificates representing approximately 96% of the outstanding common stock aforesaid have now been exchanged for stock certificates. The holders of the Voting Trust certificates representing the remaining 4% of stock should exchange for the new certificates without delay.

Pursuant to the Company's Plan of Reorganization effective September 1, 1937, warrants were issued to holders of Baldwin's old preferred and common stocks for the purchase of 621,172 shares of the Company's new \$13 par value common stock at a price of \$15.00 a share. Prior to September 1, 1945 when these warrants expired, 604,171 shares of new common stock of the Company had been sold to warrant holders. Of these shares 537,148 were sold in 1945. The proceeds of the sale of common stock due to the exercise of these warrants was \$9,062,565 or 97% of the total amount possible of realization if all warrants had been exercised. Though as the result of the above, the number of common shares of the Company was substantially increased, the sum realized by the Company has provided a satisfactory needed addition to working capital.

EARNINGS AND FINANCE

The consolidated results of the operation of Baldwin and its wholly owned subsidiaries for the years 1945 and 1944 after provision

for renegotiation of war contracts, are summarized as follows:

	1945	1944
Sales.....	\$155,954,003	\$210,575,974
Profit before provision for income and other taxes, depreciation, amortization of emergency facilities, and interest.....	20,709,794	27,159,198
Taxes on income and other taxes....	12,542,003	18,671,087
Depreciation.....	1,425,007	1,410,185
Amortization of emergency facilities.	2,638,414	908,239
Interest.....	334,422	405,222
Net profit for the year.....	3,769,948	5,764,465
Non-recurring charges.....	256,716	—
Provision of reserve for contingencies.	—	500,000
Balance of net profit transferred to surplus.....	3,513,232	5,264,465

After deducting preferred stock dividends of \$163,029, the remainder of net profit for 1945, \$3,350,203, was equivalent to \$1.79 per share on the 1,875,553 shares of common stock outstanding at the end of the year. This compares with a profit in 1944 equivalent to \$3.81 per share on 1,338,405 shares outstanding on December 31st of that year.

Net current assets increased from \$17,552,216 on January 1, 1945, to \$31,327,290 at the end of the year.

Inventories decreased from \$25,059,097 at the beginning of the year to \$22,462,373 at the end of the year. About 80% of the closing inventory is represented by work in process on customers' sales orders. During the last half of the year, inventories were checked by count or weight wherever possible, and in other cases by physical inspection and estimate. In the opinion of the Company's officers, inventories are conservatively valued through provision of reserves considered adequate for obsolescence or other deficiency.

On November 26, 1945, all outstanding bank loans were paid in full. These included a Regulation "V" Loan of \$2,000,000, and a commercial loan of \$250,000 secured by the Company's General Mortgage Bonds as collateral. Subsequently before the end of the year, the General Mortgage Bonds were retired and the related mortgage was discharged of record. As none of these bonds had

ever been used for any purpose other than collateral security for bank loans, their retirement did not involve cash disbursement. For the first time in 35 years the Company is without debt, funded or otherwise, except for normal current obligations.

Two dividends, each in the amount of 75 cents per share, were paid to the Common Shareholders during the year, the first on June 30th and the second on December 20th.

The regular 7% dividend at the rate of \$2.10 per share was paid on the outstanding preferred stock.

The Midvale Company paid dividends during the year amounting to \$1,198,756 of which Baldwin received \$751,225. Except for the said dividends received by Baldwin, the figures in this report include none of the operations of The Midvale Company, a subsidiary of which Baldwin owned, on December 31, 1945, 63.07% of the capital stock.

There are submitted herewith:

Consolidated Balance Sheet of The Baldwin Locomotive Works and Wholly Owned Subsidiaries, December 31, 1945.

Consolidated Statement of Profit and Loss and Surplus for the Year 1945.

Report of Auditors.

A copy of the Annual Report of The Midvale Company for the Year 1945 is mailed with this report for further information as to the affairs of that company.

This report is submitted on behalf of the Board of Directors.

CHARLES E. BRINLEY,
Chairman of the Board.

April 25, 1946.

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED BALANCE

ASSETS

Current Assets:

Cash on Deposit and on Hand:

General Funds.....	\$14,104,715.06	
Employee Taxes and Bond Purchases.....	625,120.86	
United States Treasury Certificates of Indebtedness (value at market quotations, December 31, 1945, \$8,001,600).....	8,000,000.00	
Excess Profits Tax Post-War Refund Bonds.....	1,199,603.08	
Sundry Securities (value at market quotations, De- cember 31, 1945, \$65,031.19) (Note 1).....	60,244.26	
Rebates Receivable from U. S. Government with respect to taxes and renegotiation of war contracts for years prior to 1945.....	1,102,679.63	
Notes and Other Credit Instruments and Accounts Receivable due in 1946 (less reserve, \$155,590.50).....	17,617,503.38	
Inventories of Raw Materials, Supplies, Work in Process and Finished Products (less reserve, \$1,229,922.05) (Note 2).....	<u>22,462,372.62</u>	\$65,172,238.89

Notes and Other Credit Instruments and Accounts Re- ceivable not realizable within one year (including past due foreign items, \$977,422.92, and less reserve, \$978,000.70).....		81,942.63
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Investments:

General Steel Castings Corporation Common Stock (147,800 shares at cost less reserve, \$5,002,949)...	\$141,001.00	
The Midvale Company Stock (at cost less capital dis- tribution) (Note 3).....	1,261,814.49	
Other Investments (less reserve, \$37,804.50).....	<u>238,104.00</u>	1,640,919.49

Property, Plant and Equipment.....	\$61,238,680.65	
Less Reserves for Depreciation and Amortization ...	<u>32,999,416.61</u>	28,239,264.04

Deferred Charges.....		<u>138,114.21</u>
		<u>\$95,272,479.26</u>

See notes on page 14, which insofar as pertain

AND WHOLLY OWNED SUBSIDIARIES

SHEET, DECEMBER 31, 1945

LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$13,232,864.14		
Employee Taxes and Bond Purchases.....	625,120.86		
Advances Received on Production Contracts in Process.....	8,950,784.92		
Accrued Liabilities.....	2,088,445.99		
Provision for renegotiation of war contracts and Federal and State taxes on income for the year 1945 (Note 4).....	\$13,936,958.77		
Less U. S. Treasury Tax Notes.....	4,989,225.90	8,947,732.87	\$33,844,948.78
Operating Reserves and Deferred Credits.....	\$580,497.98		
General Reserve.....	267,774.83		848,272.81
Reserve for Contingencies.....			1,300,000.00
Capital Stock and Surplus:			
Preferred Stock, 7% Cumulative, \$30 Par (liquidating and call value \$40 per share):			
Authorized 125,251.2 Shares			
Issued 77,633 Shares.....	\$2,328,990.00		
Common Stock, \$13 Par:			
Authorized 3,000,000 Shares			
Issued 1,875,553 Shares.....	24,382,189.00		
	\$26,711,179.00		
Less Treasury Common Stock (254 shares).....	3,302.00		
	\$26,707,877.00		
Surplus per annexed statement, page 15:			
Capital Surplus.....	\$18,299,737.82		
Earned Surplus.....	14,271,642.85	32,571,380.67	59,279,257.67
			\$95,272,479.26

ent are an integral part of this balance sheet.

FINANCIAL STATEMENT NOTES

(1) Sundry Securities include \$60,000 principal amount of U. S. Treasury bonds at cost of \$60,181.26, deposited to secure the payment in accordance with the Workmen's Compensation Law of Pennsylvania of compensation on account of accidents.

(2) Inventories of raw materials and bulk supplies are priced at the lower of average cost or replacement market. Miscellaneous materials and parts and sundry supplies (upon a first-in, first-out basis) and work in process and finished products (upon the basis of specific items) are priced at cost or less, more than 80% being covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other deficiency.

(3) The investment in capital stock of The Midvale Company consists of 378,425 shares representing 63.07% of the 600,000 shares outstanding. The market quotation for this stock was \$38.25 per share on December 31, 1945, equivalent at said per share price, to \$14,474,756 for the shares owned by The Baldwin Locomotive Works. Baldwin's 63.07% equity in the total capital stock and surplus shown on the balance sheet of The Midvale Company amounted to \$12,402,512 as of December 31, 1945. An equivalent proportion of Midvale earnings for the year 1945 amounted to \$1,138,978. Dividends received by Baldwin from The Midvale Company during 1945, amounting to \$751,225, have been credited to profit and loss.

(4) Effect has been given in the accounts to the estimated results of renegotiation of war contracts for the year 1945 pursuant to the provisions of the Renegotiation Act.

(5) Incentive compensation for officers and other key employees, 470 in all, has been provided in the amount of \$481,755.

(6) The entire unamortized balance of emergency facilities covered by certificates of necessity was marked off as of September 30, 1945, under provisions of the Presidential Proclamation permitting the shortening to that date of the originally provided 60 month period for such amortization. This resulted in the following charges to profit and loss:

Amortization for the nine months to September 30, 1945 on a 60 month basis.....		\$845,259
Accelerated amortization applicable to 1945 as a result of shortening the amortization period.....		1,793,154
		<hr/> \$2,638,413
Accelerated amortization applicable to years prior to 1945.....	\$1,792,116	
Less reduction of prior years' taxes and renegotiation refunds resulting therefrom.....	1,642,774	149,342
		<hr/> \$2,787,755

THE BALDWIN LOCOMOTIVE WORKS AND WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1945

Profit and Loss:

Sales..... \$155,954,002.78

Less:

Cost of Sales, including selling, administrative and general expenses.....	\$138,167,447.61	
Provision for Depreciation.....	1,425,006.71	
Amortization of Emergency Facilities.....	2,638,413.57	
		142,230,867.89

Operating Profit..... \$13,723,134.89

Interest and Discount Received..... \$435,708.62

Miscellaneous Income..... 89,955.43

525,664.05

\$14,248,798.94

Deduct:

Interest..... \$334,422.27

Miscellaneous Expenses..... 33,112.56

367,534.83

\$13,881,264.11

778,684.00

Dividends Received (includes \$751,225 from The Midvale Company).

Profit before Taxes on Income..... \$14,659,948.11

Provision for Federal and State Taxes on Income (includes \$8,948,000 for Federal Excess Profits Tax).....

10,890,000.00

Net Profit for the Year..... \$3,769,948.11

before charges for the following:

Loss on sales of real estate net of tax reduction resulting therefrom..... \$107,374.58

Amortization of emergency facilities applicable to prior years net of tax and renegotiation refund reductions resulting therefrom.....

149,341.79

256,716.37

Balance Transferred to Surplus..... \$3,513,231.74

Earned Surplus:

Balance January 1, 1945..... \$13,535,508.41

\$17,048,740.15

Less dividends paid:

On preferred stock..... \$163,029.30

On common stock..... 2,614,068.00

2,777,097.30

Balance of Earned Surplus December 31, 1945..... \$14,271,642.85

Capital Surplus:

Balance January 1, 1945..... \$17,225,441.82

Excess of payments received for common stock upon exercise of warrants, over par value of the common stock issued therefor.....

1,074,296.00

Balance of Capital Surplus December 31, 1945..... \$18,299,737.82

Total Surplus December 31, 1945..... \$32,571,380.67

See notes on page 14, which insofar as pertinent are an integral part of this statement of profit and loss and surplus.

TO THE SHAREHOLDERS,
THE BALDWIN LOCOMOTIVE WORKS:

We have examined the consolidated balance sheet of The Baldwin Locomotive Works and its wholly owned subsidiaries as at December 31, 1945, and the consolidated statement of profit and loss and surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practicable to confirm receivables from United States Government departments and agencies, as to which we have satisfied ourselves by means of other auditing procedures. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of profit and loss and surplus present fairly the consolidated position of The Baldwin Locomotive Works and its wholly owned subsidiaries at December 31, 1945, and the consolidated results of their operations for the year 1945, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.
April 25, 1946.

THE BALDWIN LOCOMOTIVE WORKS

ROBERT G. ALLEN - GENERAL SALES MANAGER

EDDYSTONE, PENNSYLVANIA

SALES OFFICES IN THE UNITED STATES

PHILADELPHIA 3, PA.	1154 Broad Street Station Building
CHICAGO 4, ILL.	627 Railway Exchange
ST. LOUIS 1, MO.	1010 Pine Street
WASHINGTON 5, D. C.	542 Investment Building
NEW YORK 5, N. Y.	120 Broadway
BOSTON 10, MASS.	10 High Street
SAN FRANCISCO 10, CALIF.	2929 Nineteenth Street
HOUSTON 2, TEXAS	1817 Second National Bank Building
CLEVELAND 13, OHIO	2405 Terminal Tower Building
DETROIT 1, MICH.	403 Donovan Building
PITTSBURGH 19, PA.	489 Union Trust Building
BIRMINGHAM, ALA.	Frank Nelson Building
NORFOLK, VA.	213 Seaboard Airline Railway Building

CHARLES A. CAMPBELL - EXPORT SALES MANAGER

EDDYSTONE, PENNSYLVANIA

FOREIGN AGENTS

ARGENTINA AND PARAGUAY...	PASEO COLON 285, BUENOS AIRES, ARGENTINA.....	Fiore-Co.
AUSTRALIA.....	31 REIBY PLACE, SYDNEY, NEW SOUTH WALES... 470 FLINDERS STREET, MELBOURNE, C. I., VICTORIA...	R. TOWNS & Co. Pty. Ltd. Newell & Co. Pty. Ltd.
BRAZIL.....	EDIFICIO METROPOLE, AVENIDA PRESIDENTE WILSON, 165-3° ANDAR, RIO DE JANEIRO, BRAZIL....	Norton Megaw & Co., Ltd.
CHILE AND BOLIVIA.....	CASILLA 86-D, SANTIAGO, CHILE.....	Wessel, Duval & Cia., S. A. C.

FOREIGN AGENTS—(Continued)

CHINA.....	P. O. Box 40, CHUNGKING.....	Andersen, Meyer & Co., Ltd.
COLOMBIA.....	APARTADO POSTAL No. 601, BOGOTA.....	C. E. Halaby & Co.
CUBA AND JAMAICA.....	APARTADO, 109, HAVANA. APARTADO 43, SAGUA LA GRANDE, CUBA.....	Fundición Macfarlane, S. A.
ECUADOR.....	CASILLA 297, QUITO.....	Andino & Gonzalez
MEXICO.....	AVE. 16 DE SEPTIEMBRE 52, MEXICO, D. F.....	Mexargo, S. A.
MOZAMBIQUE, (P. E. A.).....	50 CHURCH St., NEW YORK 7, N. Y..... (LOURENCO MARQUES, MOZAMBIQUE, P. E. A.).....	Frazar & Company P. Santos Gil & Co., Ltd.
NEWFOUNDLAND.....	154 DUCKWORTH STREET, ST. JOHNS.....	Harold A. Walsh & Co.
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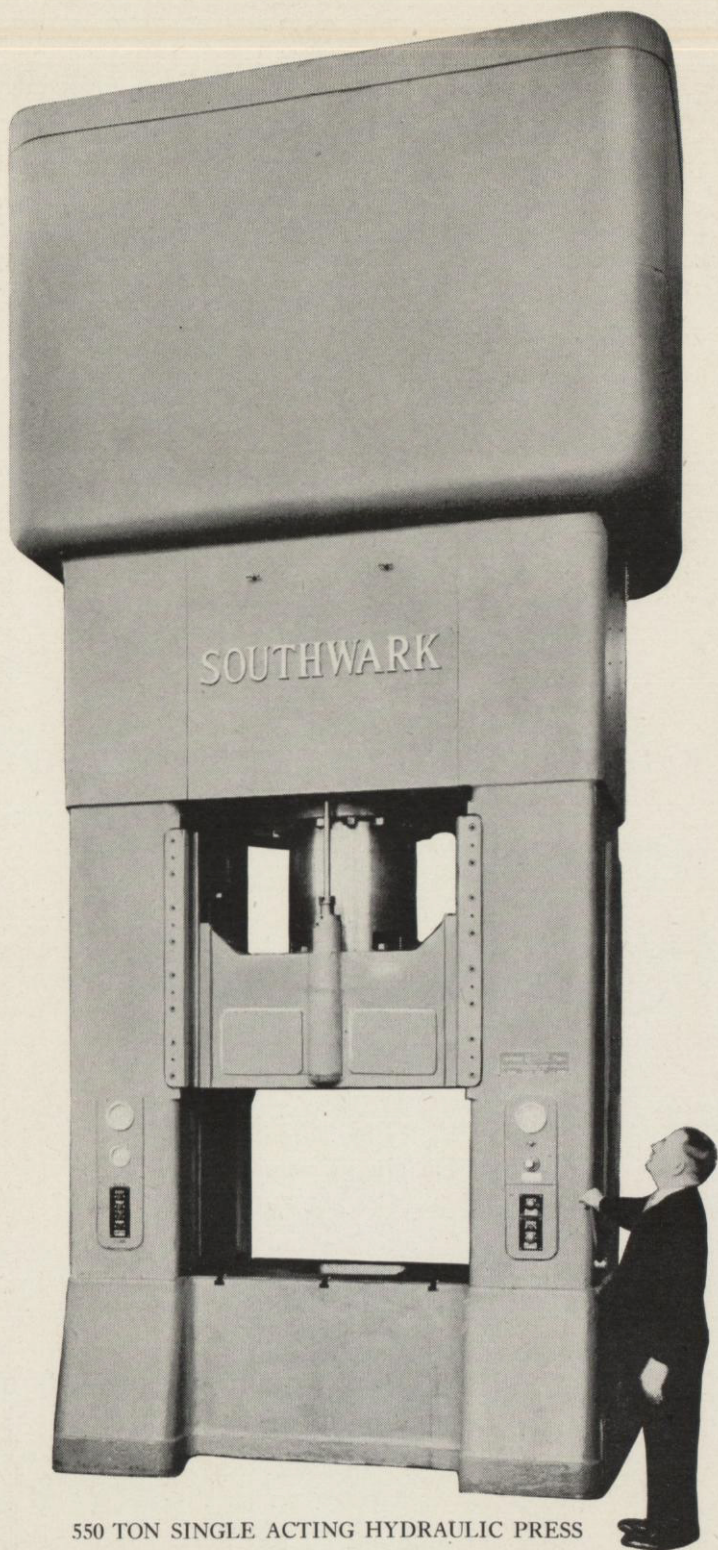
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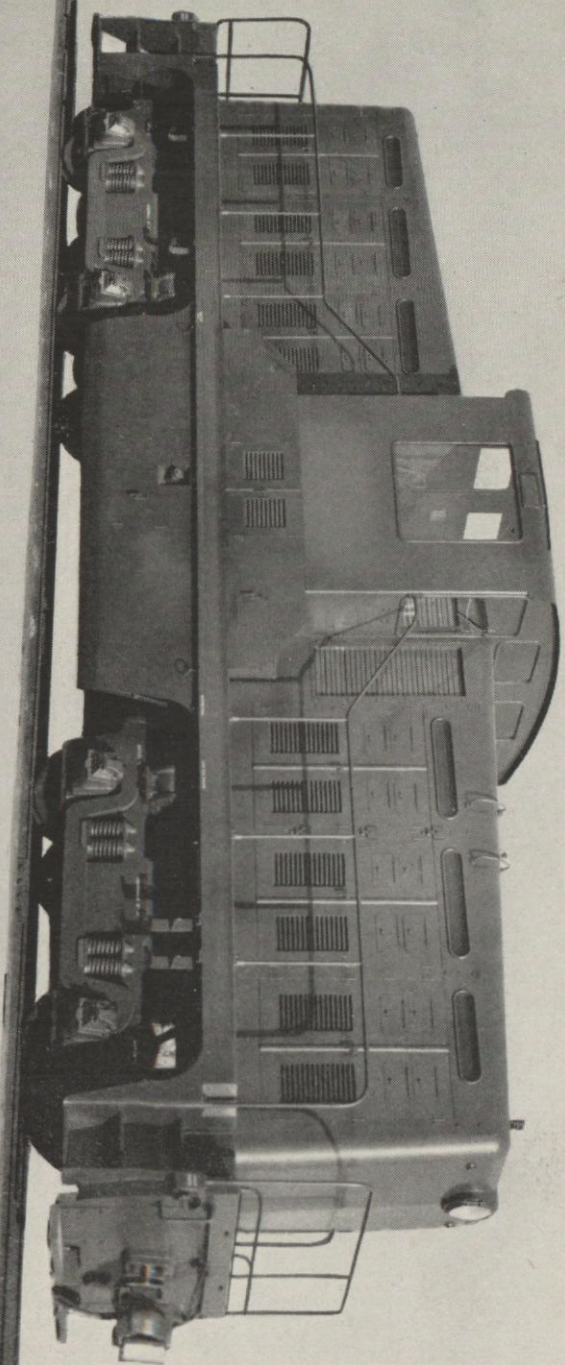
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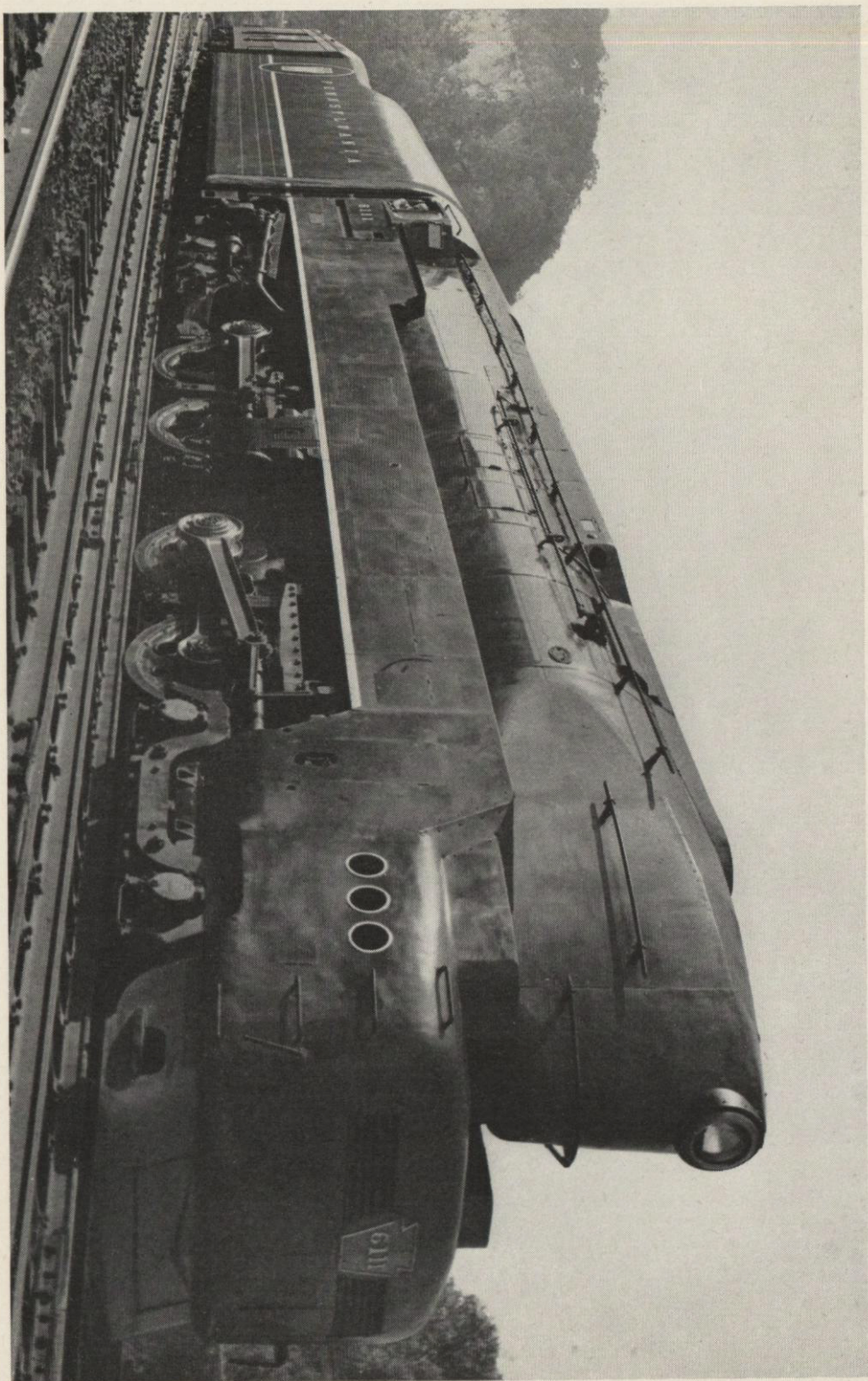
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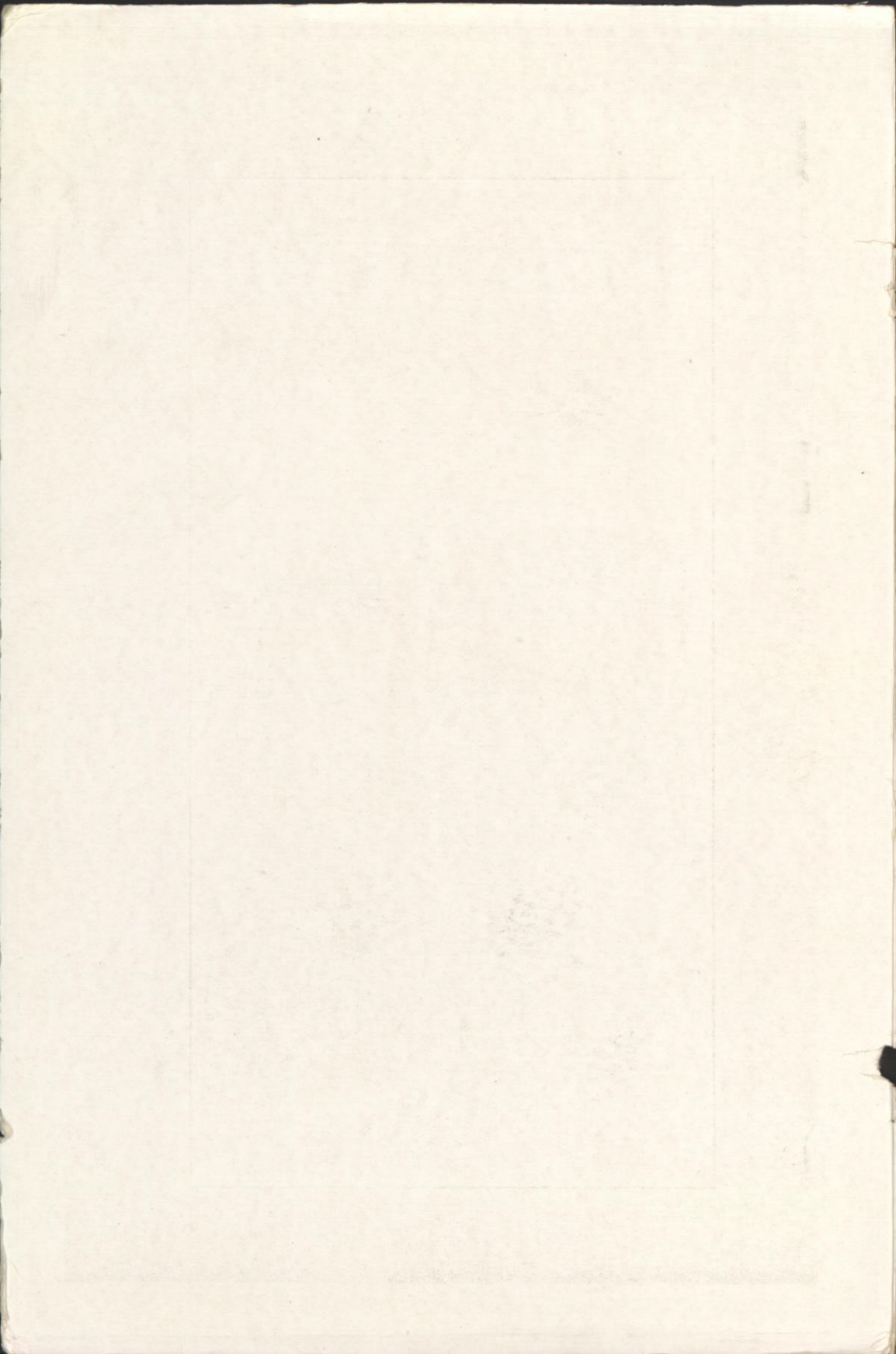
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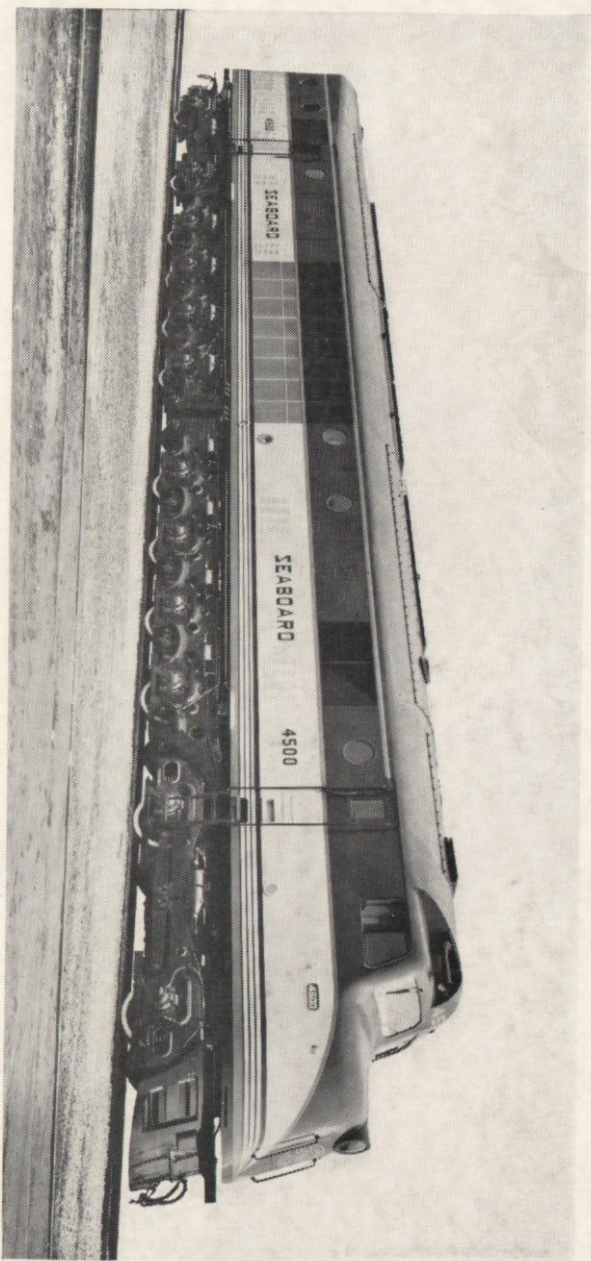


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